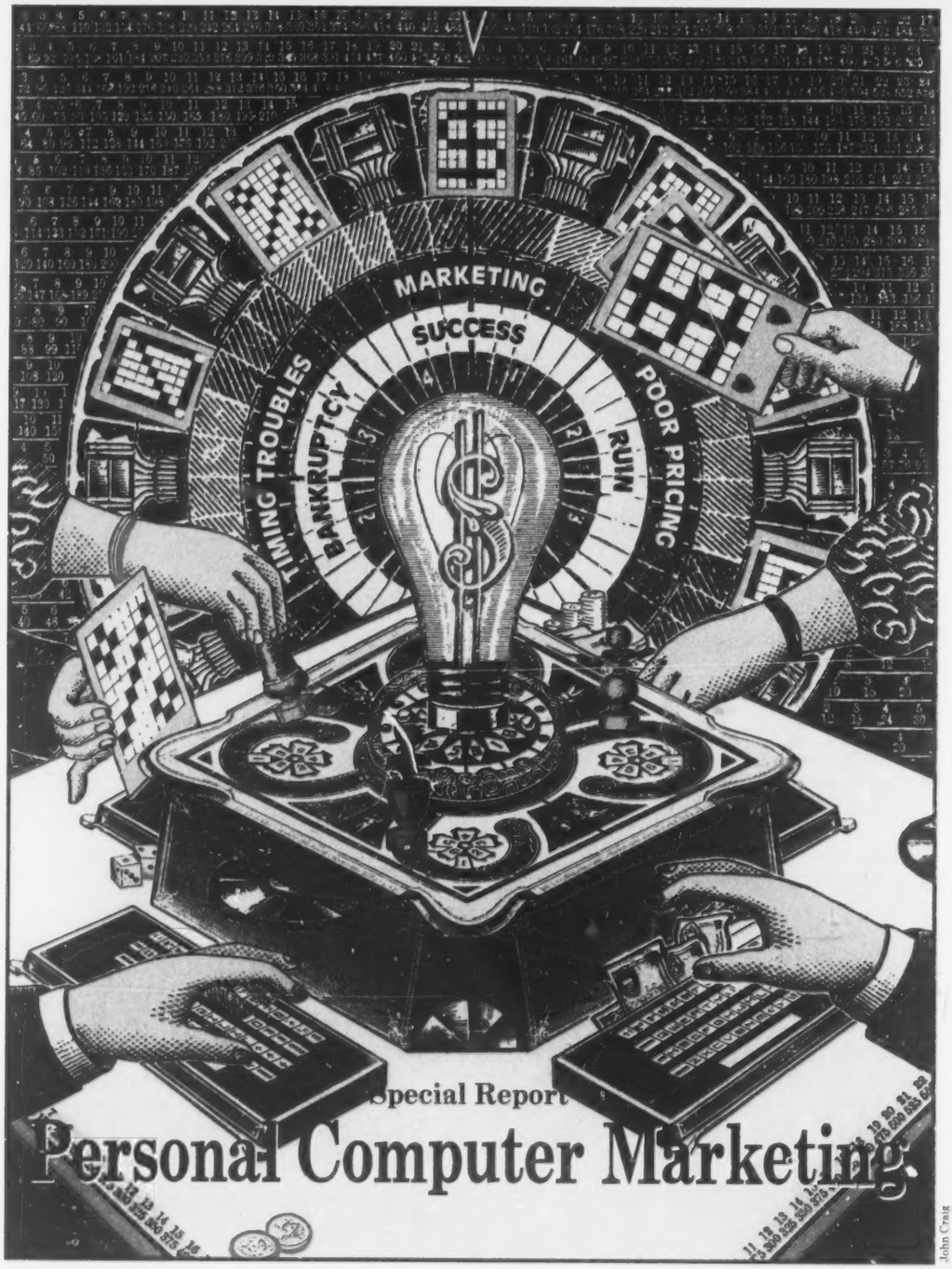


Computer marketing: No longer fun and games

By Daniel Burstein

Shakeout. Shakeup. Shakedown. The volatile world of home and personal computers is spinning like never before, and where it stops will say a great deal about the future of technology products and businesses in the American home and the American economy.

In the five years since Apples and Radio Shacks first began creeping into the lives of ordinary people, the microcomputer business has gyrated through product cycles that took the automobile and the tv set, the only consumer goods comparable in their historical influence on home life, a decade or a generation to experience.

Dan Burstein is a New York-based free lance writer and frequent contributor to Magazine.

Today, the vast majority of hobbyists, techno-enthusiasts and other early pioneers already have computers. By the end of 1984, so too will the vast majority of people for whom a computer has become a necessity: People who have a regular need to manipulate words and numbers or to access data banks.

The significance of this fact is not lost on computer hardware manufacturers—at least not the ones who hope to survive the increasingly cutthroat tactics of the industry.

The order of the day is to create a truly mass market for home computers—a market that goes far beyond those who already have a perceived need for such a machine. Realizing that most Americans do not routinely spend much time reading, writing or crunching numbers—and that computers for home entertainment are transitory products by definition—the challenges are powerful indeed for marketers who hope to penetrate beyond the 20% of Americans who now own computers or plan to buy one in 1984.

The challenges are powerful to penetrate beyond the 20% of Americans who own a home computer.

Atari's senior vp-marketing, Ted Voss, puts the situation succinctly when he says, "The people who pioneered this field were technology-oriented. But now the essence of the business is consumer marketing." Or as Bob Lively, editor of the "Sizzle Sheet," a publication devoted to marketing trends in computers says, "We used to have a technology-driven industry, and now, for all intents and purposes, we have a market-driven one."

Marketing. Marketing. Marketing. Go anywhere in Silicon Valley and that's the word you hear over and over again, with good reason. The inner workings of most small computers are the same, with the key ingredients provided by the same handful of suppliers. Much of the software to make the machines do useful tasks is also the same. Although manufacturers have tried to distinguish themselves by providing innovative features, these too are replicated by competitors almost as fast as they appear. The result is that no computer on the market today technologically stands head and shoulders above the competition in its niche.

The real differences are found in price, service, compatibility, distributor networks and, perhaps most importantly, image and corporate identity. In other words, the first generation of home computer buyers bought on the basis of a careful study of the machine's power, storage and internal architecture; today's buyer is more concerned with ease of use and the manu-

(Continued on Page M-12)

Games

(Continued from Page M-11)

facturer's reliability. Consequently, today's computer buyer is more likely to be influenced by advertising than ever before.

"Much of the technology is now in the public domain," says Atari's vp-corporate communications, Bruce Entin. "The industry has done a great job of putting machines on store shelves, and proving how much power can be packed into a beige box. But it has been less good at explaining what you can do with these boxes."

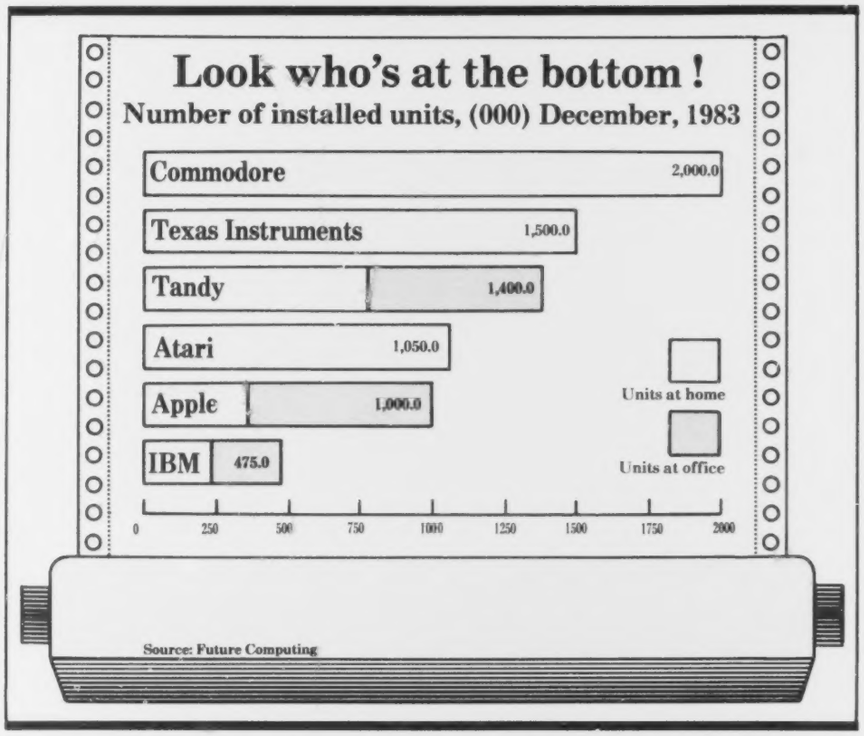
The new emphasis on marketing is also a direct consequence of IBM's entrance into the personal computer field in late 1981, and its current plunge into home computers with its much-discussed PC*jr.*, which is just now being shipped after months of speculation. When IBM arrived on the personal computer scene two years ago and gobbled around 30% of new unit sales in its product category, other manufacturers confronted the problem of a shrinking market for the first time in the history of this Wild West growth business.

"The industry has done a great job of proving how much power can be packed into a box. It has been less good at explaining what you can do with these boxes."

The IBM PC is considered to be among the greatest marketing success stories of all time. From the Charlie Chaplin advertising campaign to the reassurance Big Blue could provide confused and frightened customers with quality service, everything about it clicked. The result is that IBM has gotten away with selling its PC at a premium price that is 25% to 40% above other manufacturer's products—and the public has thus far been willing to pay.

Competition with the IBM PC is a life-and-death issue for manufacturers with products that fall into a similar category of power, functions and use like Apple's Macintosh, Compaq's IBM-compatible portable, TeleVideo, Kaypro and Hewlett-Packard's 150. All these machines must distinguish themselves from IBM's PC in some concrete way to win consumer loyalty.

Apple has its "mouse," H-P its "touch-screen," TeleVideo its high quality monitor and "ergonomic" design, Compaq its portability and Kaypro its bundled package of hardware and software. But spokesmen for the advertising and marketing departments of all those companies agree that they must get two messages across to consumers: An image of their company as one the consumer can identify with and the benefit to the consumer of their product over IBM's.



The fear of IBM's great marketing strength has now descended into the ranks of the lower price computers that are designed for lighter home use like Atari and Commodore. With the rumor spreading that IBM plans to spend as much as $40 million this year advertising its PC*jr.*, everyone is nervous, even though the price tag on the *jr.* is far higher than comparable home machines, and is in fact on a par with the more powerful competitors of the IBM PC like Apple and Kaypro.

Apple talks of spending $50 million to advertise its new products this year, and figures for H-P run nearly as high. At TeleVideo the figure is $20 million, including the first plunge into tv advertising, up from $7 million last year. Those companies taken together with IBM will spend as much on advertising as was spent by the whole computer industry in 1982.

Add the advertising expenses of the estimated 100 or more other viable computer hardware manufacturers, including the first serious Japanese entrants into the field, plus software vendors and computer retailers, and the consumer will be deluged with advertising messages related to computer products in 1984 that may cost manufacturers close to a billion dollars.

"Advertising is far more important than before," says Esther Dyson, a well known industry analyst and publisher of the "Release 1.0" newsletter on market trends. "You have to bombard the consumer to be known in the market, but you also have to bombard with a clear message."

Adds Harold Kinne of Future Computing, a market research company: "Advertising is growing in importance because the market that manufacturers are trying to reach is broadening. Of course it is very expensive. So we may see companies trying to use more public relations and other, cheaper tools. But with so many clones and so many lookalike products, to be successful, the bottom line is that you've got to get exposure through advertising."

The costs, especially for smaller companies, can be overwhelming Kaypro, the Solana Beach, Cal., manufacturer, tried tv advertising for the first time in the last quarter of 1983. Running only in the Los Angeles and New York markets, the spots, created by Della Femina, Travisano's Los Angeles office, won high marks for the way they positioned Kaypro's "one low price complete" against other marketers' add-on approach.

Largely through the expense of the nearly $3 million campaign, however, Kaypro's marketing costs zoomed from less than 5% of sales to close to 18%. That was just too much for a company that has based itself on trying to sell the lowest price machine in each product category it enters.

Observes vp-marketing David Kay: "Tv certainly provides terrific exposure and we may use it again. But we're not going to play an IBM-style game where $100 of every PC purchase goes to pay for Charlie Chaplin's services. That's almost as much as the cost of the most important parts inside a computer. We are targeting consumers who are more individualistic than the IBM buyer and are willing to look a little harder to find good

Lesson 1: Remember they're human

Sometime last year, Apple Computer's advertising and marketing people sat down with their agency, Chiat/Day, and looked at a reel of every computer tv spot they could find.

"It was the funniest clutter reel in the history of advertising," recalls Chiat/Day's Paul Cohune.

"You had bits and bytes, RAMs and ROMs; everyone yelling conflicting messages about features and price. There was very little there that was relevant to the individual," he says.

Concurs Apple's advertising director Henry Whitfield: "Looking at that reel, we realized that most manufacturers were not communicating at all. Many were flying by the seat of their pants."

Apple chose to find its way out of the clutter by focusing on life styles of individuality and achievement as the backdrop against which Apples are used—such as the now-classic spot opening with a female basketball player working out at the gym, and then returning to her office and her Apple.

Later, these were supplemented by austere, futuristic spots designed to stress Apple's excellence in technology through evocative images rather than machine specifications.

"We can't compete with IBM in selling safety and security," says Apple's Mr. Whitfield. "Our focus groups . . . perceive Apple as young, innovative and risk-taking, while they view IBM as safe, conservative, well managed, but not as exciting. We definite-

Introducing the Atari XL Home Computers. We made them smart enough to know you're only human.
You'll do more with Atari Home Computers.

Atari is hoping that "Dr. Hawkeye Pierce" can help cure the company's recent financial illness by convincing ordinary consumers that they need and want a computer.

value in a machine like ours."

Mr. Kay believes alternate means of establishing identity are more cost effective. As an example, he cites Kaypro's grants program, which has donated more computers to the California schools than any company besides Apple and is now involved in supporting humanitarian causes in the third world. "These kinds of activities communicate our corporate commitment to make technology accessible to people more effectively than expensive corporate image advertising," says Mr. Kay.

Apple, while one of the heaviest ad spenders, is also a strong believer in alternative forms of communicating information about the product and the company. Says advertising manager Henry Whitfield: "To play the game, you've got to be on tv. But if you had no competition on tv, you could do a much more effective job of communicating through print advertising. And good public relations is essential.

"There is no shakeout. What's happening is a shakeup. More companies made more money this year than last, and the market is nowhere near saturation."

"Because computer products are so sophisticated, people look for more information about them than what they get through advertising. The influence of a Peter McWilliams (the author of several best-selling computer books) or other important writers and reviewers is overwhelming," says Mr. Whitfield. "I'd take a big story about Apple in *Newsweek* any day over a tv ad in terms of its credibility and influence on consumers."

While recognizing the great power of the press—acknowledging that Apple tries to use the press as much as possible, saying that the controversial "1984" Super Bowl spot was designed to "hype the press and create an event around the introduction of the Macintosh" as much as anything else—Mr. Whitfield is also critical of "pack journalism" and a lot of uninformed copy about the computer industry.

"The press swings like a pendulum. First, Apple was the bloom on the rose. Then the press decided IBM could do no wrong and helped create a myth that IBM was synonymous with the whole personal computer industry. Now that we're back with Macintosh and IBM looks like they've messed up with the PC*jr.*, we're getting better coverage again," Mr. Whitfield says.

"But the fact is, in all these articles there is little original reporting. Everybody just seems to read everybody else's articles until certain 'facts' become accepted truths. I get surprisingly few phone calls from people who are writing about Apple all the time."

Like many others inside the computer industry, Mr. Whitfield perceives the so-called "shakeout" differently than the media image of it as a ruthless Darwinian process that will leave only a handful of companies intact. "Look," he says enthusiastically, "this is the biggest growth business there is. Look at stereos, which are somewhat comparable. There's an awful lot of profitable companies around in that field, and they've managed to stay in successful competition for quite a while."

That view is shared by Future Computing's Mr. Kinne. "There is no shakeout. What's happening is a shakeup. More companies made more money this year than last, and the market is nowhere near saturation. People talk about 'computers' as if it were all one industry. Really, it's like the 'transportation industry' where you have everything from skateboards to bicycles, cars, Jeeps, buses and 18-wheel trucks," he says. "Of course there will be a major manufacturer eventually in each product category, but what his name will be is by no means clear. Furthermore, you're not likely to see lots of Chapter 11s and other disasters. Polite mergers and acquisitions will be much more the rule."

Gary Baughn, former marketing director at TeleVideo, doesn't think it's going to be all that polite, however. "There's a lot of companies around surviving on 30% gross margins. You just can't do that. You've got to have 50%, because otherwise, when IBM starts price cutting—and they will before long—you won't be able to turn that corner with them." To Mr. Baughn and others in Silicon Valley, IBM is a piranha that hasn't really started to bite yet.

He expects IBM will either drop its price drastically below the level of the competition, whose chief selling point up to now has been lower price products, or come out with a new technical standard that will render the previous "IBM-compatible" market obsolete.

"IBM will do something to try to drop the others out of the chase. They want to own the whole market. So our strategy has to be to impress TeleVideo on the public mind as one of the major players that isn't going to be shaken out and will stay right there with IBM," says Mr. Baughn.

A "Get in on the Boom" campaign, created by Grey Advertising, is now in motion depicting a growing TeleVideo growing with growing businesses and a growing economy. The signature of the campaign is a memorable electric green line rising off a business chart to impress the reader/viewer with TeleVideo's growth atmosphere as well as one of its product's major technical attributes—screen resolution.

Advertising, in TeleVideo's estimate, is the key tool for establishing awareness. But Mr. Baughn also cautions that advertising—particularly national tv advertising—is almost useless without an effective distribution network. In the beginning TeleVideo made the mistake of doing splashy advertising without a strong dealer system in place. Now that ComputerLand stores are stocking the product, how-

(Continued on Page M-16)

Which companies are taking the biggest byte of the pie?

Personal computer market shares

	1980	1981	1982	1983*
Apple	29.3%	41.8%	28.5%	22.0%
IBM	0%	5.0%	22.2%	28.0%
Tandy	37.6%	22.5%	10.1%	7.0%
Hewlett-Packard	5.3%	6.1%	4.7%	3.5%
Commodore	15.9%	10.6%	3.6%	3.5%
Franklin	0%	0%	2.5%	3.5%
Others	11.9%	12.6%	20.2%	29.0%

*estimate

Source: Dataquest

beings

ly want to appeal to the risk-takers and the innovators."

Atari is another company that has recognized that technology is "both the great attraction and the great fear" in selling computers, according to senior vp-marketing Ted Voss. "Technological innovation drove this field before; now people need innovations explained to them."

Alan Alda became the vehicle to communicate what the innovations are about and what to do with all that power. "After our name and our product, Mr. Alda is our most important asset," says Mr. Voss.

Mr. Alda, Atari executives believe, is a personality who combines seriousness with accessibility, and whose easy manner symbolizes Atari's ease of use. He "seems to radiate the idea of learning being fun and having fun learning," observes Mr. Voss.

Atari expects that the consumer-friendly strategy symbolized by the Alda campaign can halt the recent flow of financial red ink by convincing a growing number of ordinary consumers that they need and want an Atari. —*D.B.*

Lesson 2: Hire marketers

In line with the growing emphasis on mass marketing, computer manufacturers are reaching out to the wizards of package goods and brand management not only to staff their marketing departments, but even to fill top executive slots.

The most prominent example of this trend is John Sculley, who took over as president of Apple Computer last April.

He was lured away from the presidency of PepsiCo Inc. not only by a $2 million financial package, but by the challenge of bringing the skills to the "Apple Generation" that made the "Pepsi Generation" come alive.

Thus far, Mr. Sculley has won high marks by industry analysts. Observes Esther Dyson, publisher of the authoritative "Release 1.0" newsletter: "Sculley knows marketing, but his main asset at Apple is that he is an all-around good manager." Apple insiders say his greatest value has been in focusing corporate strategy and product development.

"A lot of people identify the 'Apple Generation' spots we did last year with Sculley," says Apple advertising manager, Henry Whitfield.

"But actually, those were well on their way to development before. Where he has really helped the company has been in developing a cohesive product strategy," he says.

Mr. Sculley was not the first big name from consumer goods to make the leap to the executive suite at a computer company. That distinction belongs to Robert Jaunich II, the former president of Consolidated Foods, who took over as president of Osborne Computer Corp., Hayward, Cal., in January, 1983, only to see the company file for bankruptcy a few months later.

Today, Mr. Jaunich remains on the board and Adam Osborne makes periodic noises about reviving the company that was the first to make a portable computer and the first to provide a full function system for less than $2,000.

But nasty recriminations have flown back and forth between innovator Mr. Osborne and professional manager/marketer Mr. Jaunich.

Mr. Osborne says he made a mistake by bringing in a "smokestack" manager who was unaccustomed to the freewheeling innovative style of Silicon Valley.

Mr. Jaunich retorts that the company had so many concealed financial and managerial problems that it was a lost cause long before arrived.

The debate will doubtless continue over whether marketing computers is significantly different from any other consumer product.

But for some, the answer is already clear.

"It's obvious now in Silicon Valley that the home computer business is fundamentally a market-driven, consumer-oriented business," observes Bruce Entin, vp-corporate communications at Atari. "Technology will always be important, but you've got to have corporate leadership that understands brand name identity and that knows how to create consumer motivation."

Practicing that philosophy in choosing a new ceo last July, Atari filled the position with James J. Morgan, formerly executive vp-marketing at Philip

(Continued on Page M-16)

Games

(Continued from Page M-13)
ever, he believes the company can advertise more intensively with better results.

"This industry is maturing very fast," Mr. Baughn philosophizes. "The whiz kids and the technological gurus just don't have the consumer marketing experience that's needed now. A lot of us feel we understand the market, but we don't have the understanding that the consumer marketing specialists have of the end user."

Big changes in the home computer marketplace may well come as more professional marketers do more consumer research before developing their products and their advertising campaigns. H-P, for example, developed the touch-screen machine on the basis of their first full-scale, end user research.

"Many home computer manufacturers are quite vague about who the home user is," says Randy Goldfield, president of the Omni Group, a New York consulting firm that offers a unique audit of technology companies' media-related activities including advertising, public relations and other corporate communications. "We recently found a major company that did no research at all on response to advertising. But marketing of computers is professionalizing fast. That same company today has a whole department for that purpose." ▲▲

Hire

(Continued from Page M-13)
Morris.

Like Apple's Mr. Sculley, Mr. Morgan's influence has been felt most strongly in bringing the company's general business practices up to state-of-the-art. Arthur Gemmell, vp, was quoted recently as saying, "A lot of what Mr. Morgan has done is just fairly standard business basics. We just somehow became a $2 billion company without any of them."

Other consumer marketing-oriented professionals at Atari include David Ruckert, senior vp-entertainment software marketing, who was formerly vp-marketing at the Clairol division of Bristol Myers, and Theodore Voss, senior vp-marketing, advertising and marketing services, who came to Atari after 17 years at Polaroid.

Criticizing the tendency to exaggerate differences between businesses designated as high-tech and others, Atari's Mr. Entin says, "The technology Jim Morgan was involved with at Philip Morris, turning out 6,000 cigarets a minute without error, is every bit as good as the technology at a computer manufacturer.

"People like Jim, while they aren't scientists, certainly have an awareness of and an appreciation for technology."

Among the other players in the home computer game who have brought the more traditional marketing and managerial outlook into the top corporate echelons are Mattel Inc., whose new president, William Mack Morris, was a veteran of Combe Inc. (health and beauty products) and Squibb Corp.'s Life Saver division, and Commodore International, which recently replaced founder, president and ceo Jack Tramiel with Marshall F. Smith, former president and ceo at Thyssen-Bornemisza, a diversified industrial group.

Software companies also have recognized the impact of marketing, and a few of the leading ones searched for experienced marketers to facilitate their efforts.

Jay Mixter, director-marketing at Spinnaker Software, arrived on the scene a little over a year ago having worked in brand management and new products at Frito-Lay and Richardson-Vicks.

Focusing on quality packaging, developing a memorable logo, catchy print advertising and store displays, Mr. Mixter says: "We were probably the first software company to devote most of an $800,000 venture capital infusion to aggressive marketing. It's paid off handsomely. We have created a strong brand-name identity for Spinnaker products."

Mr. Mixter says that he's looking for more people with consumer goods experience to take up the challenge of marketing software at Spinnaker. So, although many analysts are saying times are tough for those trying to make it big in the marketing arena these days, at least one sector is looking for a few good marketers. —*D.B.*

Survival

(Continued from Page M-14)
frequently reported. The truth is that Apple Computer Corp. is running a very distant second.

Volume sales numbers published in the press are generally inaccurate and uninformed, because they are based on computer store sales statistics. The bulk of IBM sales are made directly to large customers, so they never get counted.

Right now IBM is manufacturing and selling approximately 10,000 personal computers per day, which gives it a sales volume that is four to five times Apple's. The flip side of this coin, however, is that for innumerable reasons, IBM is never likely to capture more than approximately 75% of the personal computer market. A combination of people who buy on price or object to IBM will guarantee roughly 25% of the market for the also-rans. That amounts to a lot of microcomputers that compete with IBM.

As for the low-end market—machines selling for less than a thousand dollars—IBM has no presence there yet, and the PC*jr.* is still out of the low-end price range. The current leader, Commodore, may have a long reign over this market segment because of its manufacturing and marketing expertise. ▲▲

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Timing troubles chip into sales

By Richard Edel

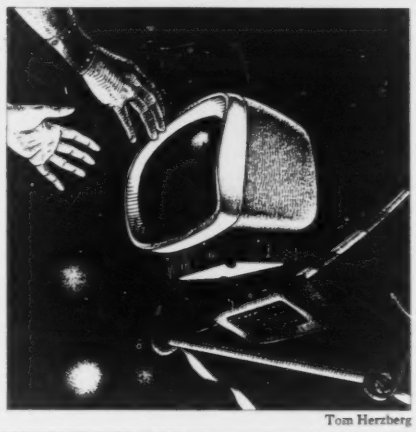
It is strange that personal computer manufacturers extol the element of time as a critical reason for owning their products and yet misuse it so in their marketing execution.

The simple fact is that the industry is plagued by glitches that result from poor timing of product introductions, miscalculation of production capability or, perhaps worst of all, stimulation of product demand before it is tested and ready.

Richard Edel used to sell business computer systems until he decided to go for the really big money as a free lance writer and graphic designer in Chicago.

Timing errors, although definitely a nightmare for marketing managers, represent a serious threat to profitability and ultimately survival of the product line itself. And in the computer industry, when a product line fails, the company may go under with it.

There's an old saying that there are no bad management decisions, only bad timing, says Bill Meserve, an electronics industry strategist for Arthur D. Little & Co. In attempting to establish themselves firmly in the marketplace via carefully orchestrated product introductions, he adds, some manufacturers shoot themselves in the microchips because of their timing troubles.



Tom Herzberg

Coleco Industries, for example, timed the market entrance of its Adam computer with great care. However, engineering and production problems continually pushed back the reported spring, 1983, delivery dates. While the company predicted 500,000 units would be shipped in 1983, only 95,000 entered the market by year's end, a spokesman says. The company suffered a substantial fourth quarter 1983 loss because of this.

"The timing [of Adam's introduction] was perfect. They would absolutely have cleaned up in the fourth quarter," says Mr. Meserve. "As it happened, late shipments brought about negative rumors about the company that it must remedy before it can get back on track."

Another company victimized by timing problems last year was Osborne Computer Corp. Osborne collapsed in September, filing for Chapter 11 protection following a series of devastating marketing and management mistakes.

A key problem was that Osborne undercut the market for its Osborne I by introducing its Executive model shortly afterward. Subsequent delays in shipping the Executive brought the company's cash flow to a near halt, analysts say. Compounding the mistake, Osborne announced the Executive II—an IBM compatible product—at the same time it was about to begin shipping the Executive, again undercutting its market.

Alexander Stein, senior industry analyst for Dataquest Inc., says such timing gaffes are symptoms of buckling under the forces of a rapidly changing market.

"Potentially, a great many changes in the market could affect vendors and each one could be catastrophic," he says. "In this market, I think you're expected to make mistakes. The difference is that a Digital Equipment Corp. could make several and survive where a Coleco or an Osborne is allowed only one."

The result is a marketing climate where attempts to gain footholds or simply to maintain market shares in various segments result in sometimes disjointed marketing efforts that, if unsuccessful, easily could put smaller companies on the ropes.

The impact of IBM alone on the market has forced many manufacturers to re-orient marketing plans, says Mr. Stein. Some hurried the timing of product introductions, stressing IBM compatibility, and others quickly examined strategies for confronting IBM on its own turf, analysts say. Apple, they claim, is positioning its Macintosh-Lisa products for business users and appears ready to fight.

But it's not just the entrance of large, strongly financed companies that will cause an uproar in the personal computer market. Mr. Stein says vendors are in for a strain as the trend toward marketing specifically for an industrial market and a separate consumer market develops.

"Currently we have an *ad hoc*

(Continued on Page M-20)

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Timing

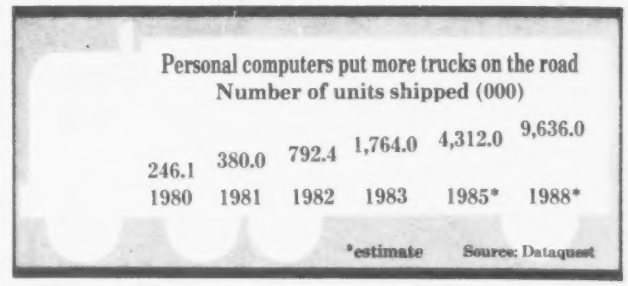
(Continued from Page M-18)
marketing approach," he says. Some analysts believe that assessment applies even to the meticulously laid plans of IBM. They are debating whether IBM's timing of the PC*jr.* introduction was off target. Although IBM announced the product in November and provided display models soon after, it was not able to ship until mid-January. In effect, IBM created demand for a product that was not available, which may have hurt sales and left IBM dealers taking heat from customers during the peak Christmas sales period.

Announcing a product before it is ready to be shipped is a "classic mistake" with these kinds of products, says Matthew M. Meehan, technology analyst with Salomon Bros. "People may say you should never announce a product until you ship, but your company may get to a point where you need the marketing momentum. You've got to always be blowing the smoke and keeping focus on your name. IBM did it with the Peanut (PC*jr.*), but did it for a reason."

The reason, suspects Mr. Meserve was to blunt demand for lower price personal computers intended for the home market. "If that assumption is true, I think IBM made a mistake [in timing]," he says. "That strategy works very effectively in the business world, but does not work well in the consumer world, and the Peanut is a consumer-oriented product."

In other words, a business will hold off purchasing a computer

(Continued on Page M-22)



Retailers given a lump of coal for Christmas

While it is impossible to sell future models of personal computers from the retail shelf, many manufacturers try just that approach when pitching products to consumers. And that strategy—among others—perturbs Roger Lewis, vp-marketing at ComputerLand corporate headquarters, Hayward, Cal. ComputerLand, which in 1984 is expected to reach the billion dollar mark in sales, is the largest independent retailer of computer products with 600 outlets in 26 countries.

"There should be a company down here called 'Future Features' because there seems to be a tendency to use a lot of publicity to announce products that aren't available just to let people know what you're working on," he quips. "In some cases, though, it tends to knife the products you're already selling."

A case in point is IBM's PC*jr.*, also known as the Peanut, which was unveiled—but not shipped—in November at the very time Christmas sales were beginning to boom at ComputerLand stores. The Peanut drew a great deal of interest without generating any sales. Many unhappy consumers either bought other machines to place under their Christmas trees or waited until mid-January when shipping began.

"When IBM says it has a new product in this price range, there are a lot of people who will want it," Mr. Lewis says. "We had a lot of stores where consumers would walk in and ask for the PC*jr.* and, of course, it wasn't there, just a display model. Consumers were told, 'We don't know when we're going to be getting them, but here is your rank in the pecking order.'"

Some analysts say IBM's timing was intended to defer purchases of competitive products, others say media attention forced the company to announce early. An IBM spokesman says simply that there is a traditional lag between announcement and shipping dates for a product.

"It was beginning to sound like God's gift to the office," says Warren Waldbrand, senior consultant for Omni Group Ltd., a research and consulting firm. "I'm guessing that a possible reason for the November announcement was that they feared if they didn't announce and describe the product, they faced disappointment in the marketplace."

IBM, however, was not alone in causing discomfiture for retailers over the Christmas buying season. Texas Instruments picked Oct. 31 to announce it was exiting the home computer market. This bewildered many potential buyers, who confused the company's Home Computer division with its Data Systems Group, which continued to produce business computers.

"A lot of the publicity generated from Texas Instruments getting out of the home com-

(Continued on Page M-22)

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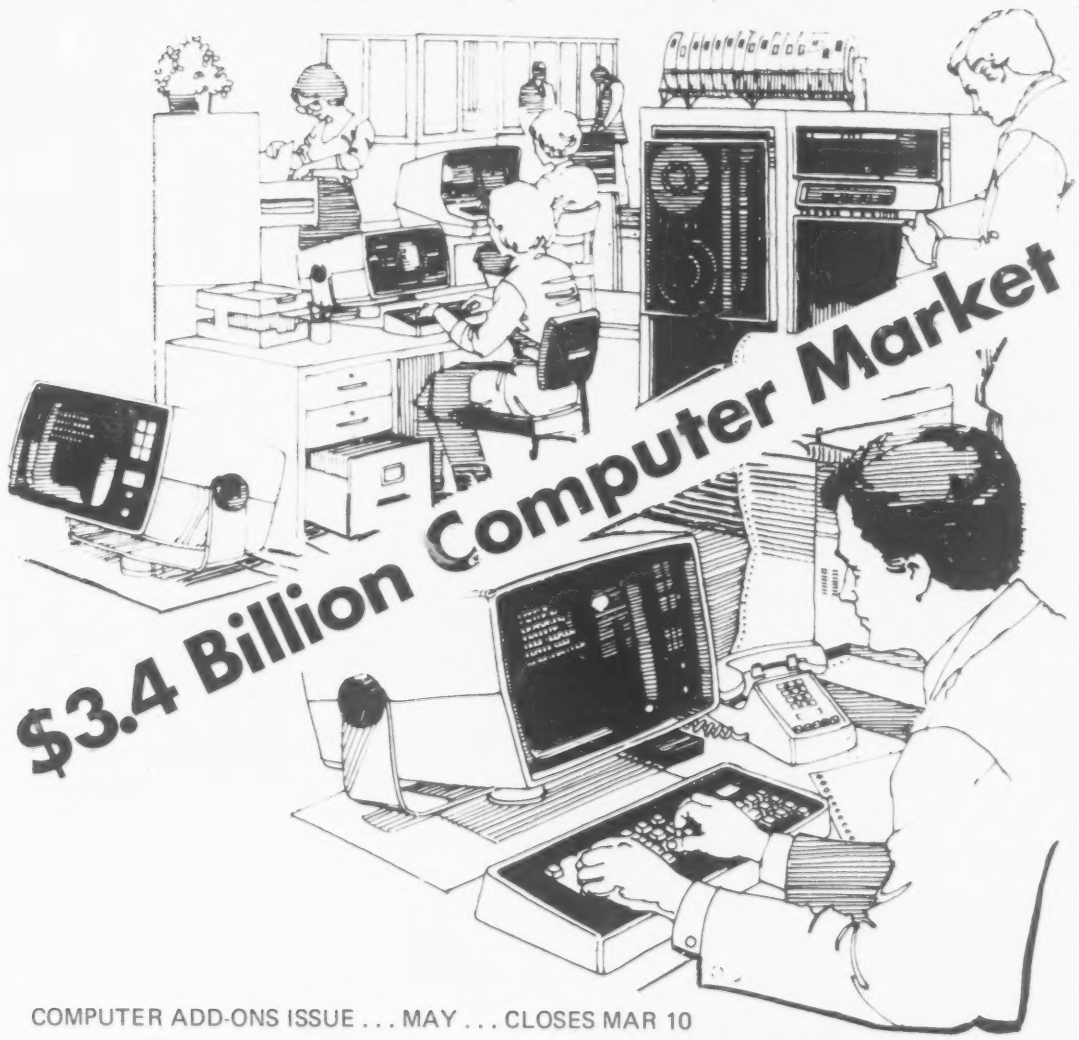

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Timing

(Continued from Page M-20)
until it's sure that it's making the correct decision; a consumer is more likely to buy impulsively.

Mr. Meserve compares a consumer with $500 to a shark in a feeding frenzy. That consumer will gobble up merchandise until satisfied, he says.

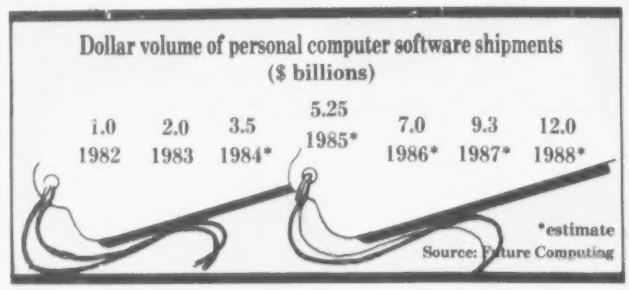
Douglas R. LeGrande, vp-marketing operations for IBM, acknowledges that the computer giant was roundly criticized by dealers over its timing strategy, but says the problem was unavoidable.

Traditionally, there is a lag between product introduction and shipping, he says. "Our dealers have said, 'We wish you would have had the product available over Christmas.' But they understand our position."

IBM was the target of much pre-introductory media speculation over the capabilities of the PC*jr.*, Mr. LeGrande says. That interest stimulated demand before the first Peanut ad ran. Some analysts believe it may even have forced IBM's hand to introduce the product early rather than risk market disappointment from inflated claims about the product.

In spite of IBM's announcement of the Peanut's impending arrival, manufacturers that had the necessary inventory during the holidays were rewarded with spectacular sales. "Apple just absolutely had a bonanza in December, recording the highest sales of any month in its history," says Mr. Meserve.

Even after announcing its
(Continued on Page M-24)



Coal

(Continued from Page M-20)
puter business did not reinforce the fact that the company was not getting out of the market for business computers," Mr. Lewis says. "Consumers were thinking Texas Instruments was getting out of the personal computer business entirely."

ComputerLand sales representatives, who only sell business computers, endlessly explained the situation, realizing that "nobody wants to buy from a company that is getting out of the business," Mr. Lewis says. Once the situation was clarified, products from the Data Systems Group moved well, he adds.

A TI spokesman admits there was a communications problem with end users, and that consumers did perceive that TI was out of the computer business entirely. After a flurry of meetings with marketing managers and advertising agency executives, however, the company decided how to handle the situation: Do nothing.

"We decided the best strategy was to continue advertising the TI Professional model on its own merits and not comment on the Home Computer division's exit from the market," the spokesman says.

TI also continued advertising its discontinued home computers, compounding the misunderstanding, says ComputerLand's Mr. Lewis. "It confused me that they continued to run that nifty ad with the 3-year-old kid pushing the buttons even after the announcement.

But the real clincher for a product introduction was Osborne Computer Corp.'s announcement of the Executive model last spring. At the time, sales of the Osborne I were brisk, Mr. Lewis says, and subsequent delays in product availability virtually halted sales of that model.

"Put yourself in the shoes of the consumer. For the price, the Osborne I was a pretty nice piece of equipment. It had a screen, keyboard, hardware and bundled software," he says. "But when you read that the company is coming out with another machine, you just sit back and wait." Consumers sat back and waited long enough to help put Osborne on the ropes for good.

Such delays in purchasing personal computers often are brought on by marketing strategies that rely on improved technology as the reason for buying a particular model, says Joseph L. Levy, vp, International Data Corp. "People ask, 'Why should I buy a computer today when tomorrow it will be twice as fast and half as expensive?' "

Focusing on technology also presents the double threat of frightening away potential buyers and of not being able to follow through on promises. Mr. Levy cites frequent examples of product announcements followed by delays in development, manufacture and shipping. The big losers in this situation are the retailers and manufacturers —consumers can always find somewhere else to spend their money. —*R.E.*

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*Inc. rate base 500,000 Venture rate base 275,000

Timing

(Continued from Page M-22)
withdrawal from the home computer market, Texas Instruments sold its entire stock of 99/4a computers in the fourth quarter, says Jon Campbell, a company spokesman. The 99/4a had moved poorly through the beginning and middle of 1983, he says. Commodore was allocating shipments of its popular Commodore 64, analysts say, because it couldn't produce the machine fast enough to satisfy demand.

Once the Peanut was ready to be shipped, IBM was poised to catch up with the companies that were prepared for Christmas season sales via a huge media campaign. Estimates place IBM's media budget for the PC*jr.* at $40 million, although Mr. LeGrande declines to comment.

IBM, however, is not the only company on the receiving end of pot-shots from retailers over the timing of product introductions. Gene O'Donnell, vp-hardlines merchandising with Hills Department Stores, a 117-store chain based in Canton, Mass., criticizes the personal computer industry as a whole on timing.

"Timing has been a big problem all along the way for retailers," Mr. O'Donnell says. "We've had to cancel some ads at the last minute because of problems with shipping, and we've not always had the quantities available [from manufacturers] to support a particular ad."

Mr. O'Donnell blames the problem on manufacturers attempting to grab an unreasonable share of the market. "I think that's a major problem in this industry," he says.

"Everybody is trying to increase their market share and get the retailers hyped on their products. As a result, they try to get you to give initial commitments that they cannot live up to."

Dollar volume of personal computer hardware shipments ($ billions)

1982	1983	1984*	1985*	1986*	1987*	1988*
5.0	8.0	11.5	15.75	20.0	24.7	30.0

*estimate Source: Future Computing

Big guys mean business

Runaway growth and the entrance of large manufacturers into the personal computer market are causing it to evolve unusually fast, says Alexander Stein, senior industry analyst for Dataquest. Dataquest estimates compound annual growth rates for personal computers of 60.5% between 1982 and 1987.

In dollar terms, the industry has grown from annual sales of $495 million in 1980 to $4.7 billion in 1983. By 1985, it is expected to reach $11.9 billion and almost $28 billion by 1988. Units shipped also grew from 246,000 in 1980 to nearly 1.8 million in 1983. By 1985, units shipped are expected to top 4.3 million and to exceed 9.6 million by 1988. At the same time, sales of higher-priced units are rising faster than sales of lower-priced models, which are marketed for home users.

"The days when products like the Apple II can dominate the market are passing," Mr. Stein says. "People are asking for higher performance machines."

Indeed, with the entrance of IBM, Digital Equipment, NCR, Data General Corp., Hewlett-Packard, Sperry Univac and other corporate giants into the fray, Mr. Stein sees an important shift taking place. The market for business users—by far the largest segment with 55 million white collar workers—is being cordoned off by manufacturers of mainframes and minicomputers.

The reason for IBM's success is product preference among large companies, says Warren Waldbrand, a senior consultant with Omni Group, a New York-based computer research organization. Compatibility with IBM's operating system, widely recognized as a *de facto* industry standard, is crucial in dealing with large companies, many of which have IBM mainframes and minis.

Out in the cold are the entrepreneurial companies that pioneered the personal computer market. "Being left out of one segment of a very lucrative and high volume market that they helped to create," Mr. Stein says, "are companies such as Apple and Tandy Corp. These companies are now to go to smaller business users, educational users, professionals and the home computer market."

This may be where the other companies find their niche. For the small business and home user, IBM still ends up grappling with its poorer cousins.

"Our research measuring business demand for IBM compatability is very strong in the largest companies, but demand falls off significantly once outside that [arena]," Mr. Waldbrand says. "IBM is not a standard embraced by 100% of the marketplace." —*R.E.*

Peter Drucker has learned the Inc. Market is the source of job creation in America.

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Magazines face terminal illness

By Craig Endicott

In the Zork III computer game by Infocom the object is to meet and destroy the ruthless Dungeon Master. This ruler of the Great Underground Empire gives Adventurers three chances to do him in: Twice he will resurrect those he destroys before delivering the *coup de grace* that puts the Adventurer under for good.

Zork III in the down-to-earth context of computer magazines has a fearsome twin—Success Quotient. This behemoth is elusive and defies any magazine from tapping its secrets to reach the Throne of Success.

Word has it that Success Quotient is setting up for the kill of any number of magazines. Analysts say this pending shakeout will occur for many reasons:

• Advertising dollars are growing, but they are being concentrated among the very top magazines. Because of this thin ad distribution in the lower echelons of the magazine sector, financial tremors can turn into major quakes when hardware companies run into hard times, as they seem to be doing.

• The number of magazines covering microcomputers has burgeoned, making it increasingly difficult for publishers to approach advertisers, especially considering many of them lack sophistication. Some don't know what a media director is, comments a publisher's representative.

• The growth in the market is in machine-specific magazines, a direction some believe is a tactical mistake. The rub is that a host of magazines may cover the same machine and thus fight for the same ad dollars, squeezing out the less competitive.

• Many give newsstand operators a larger than standard cut off the cover price just to join the hundreds of other computer magazine titles on the selling block. This practice led to the so-called "black summer" of 1983 for computer magazines.

• Now that major magazine publishers have entered the fray, largely through acquisition, the lesser-knowns will require greater financial staying power.

• Editorial coverage is turning more toward application—what can be done on a computer rather than what computer to do it on—as consumers turn more toward software as their purchase criteria.

Advertising dollars have grown with the industry *(see table on Page M-62)*, but are they enough to keep the flurry of new computer titles in business?

"We estimate that the top 10 magazines get 80% of the ad dollars, leaving most of the market to fight for leftovers."

In 1980 there were fewer than 30 computer magazines, founded largely by technically-proficient operators who served up highly jargoned prose largely to the trade and hobbyists. Earlier this year that number had grown to 150 titles that cover only microcomputing. In all, some 530 devote at least 50% of their editorial to microcomputers.

Such a prolific rate means greater competition for the ad dollar. "We estimate that the top 10 magazines get 80% of the ad dollars today, leaving most of the market to fight for leftovers," says Sheila Clarke, vp-marketing, Adscope, a Goldendale, Wash.-based research company.

In addition, ad pages are expected to drop this year, according to John Klingel, a magazine consultant. "The momentum in the market cannot just keep going the way it is. There will be a shakeout. A lot of the magazines have even built their forecast around the spurt, and will pay for it."

The magazine shakeout will merely mirror the fireworks in the microcomputer industry. "Five years ago, among our leading advertisers were MITS, Processor Technology, Polymorphic Systems, Southwest Technical Products and IMSAI. None are around today," says David Ahl, publisher of Creative Computing. Many of today's pacesetters —Osborne, Mattel, Atari and Texas Instruments—have fared no better.

Each failure of a hardware producer sends shockwaves through the magazines that have sprung up to glean the advertising budgets of the giants.

Consolidation is now beginning to occur on the software side, which will take more advertisers out of the market just as hardware deaths and mergers have done. "Already there is a shakeout among software producers," admits John Williams, director-marketing of Sierra On-Line, which spends $1.8 million on advertising, largely in computer magazines. "We cut back on our advertising in the fourth quarter last year to reassess the effectiveness of our spending, and the comment we got from the magazines was 'oh, no, not you, too.'"

Many of those who advertise can't survive unless each ad quickly turns into sales. "Some 70% of the ads we place bear some form of promotional tie-in either through direct response or through dealer sale," says Jay Eisenberg, president of JE Publishers Representatives in Los Angeles. "They [the ads] must generate instant sales or the advertiser dies."

When Texas Instruments announced it was stopping the production of its TI 99/4a computer last fall, the bootstrap vendors among the advertisers in the magazine serving the 99/4a user, *99er Home Computer*, breathed

Craig Endicott, an Evanston, Ill.-based free lance writer and frequent contributor to Magazine, is attempting to read every computer-oriented publication. He anticipates a completion date of January, 1999.

Machine specific: Perilous publishing at best

Down but never out is the motto *99er Home Computer* is trying to make good. Knocked down once, the magazine's demise and subsequent revival illustrate the dangers confronting a growing sector of computer magazines—the machine-specific.

Things hit rock bottom for *99er* on Oct. 31, 1983, when Texas Instruments announced it would pull the $49.95, TI 99/4a home computer—the magazine's bread and butter—off the market. The December issue was ready to roll at Emerald Valley Publishing Co. in Eugene, Ore., but the company literally stopped the presses.

Two months elapsed before the magazine, with *99er* conspicuous only in terms of its absence from the title, re-entered the fray as *Home Computer*, a more general sort of name one must admit.

It had a new format, too, aimed at a more general sort of audience: Four computer-specific systems are now being covered—Commodore's 64 and VIC-20, Apple II (II-plus and IIe), IBM's PC*jr.* and the defunct 99/4a, which still has 1.5 million users, second only to the 2 million in the Commodore camp, according to Future Computing, a Dallas-based information service that monitors the personal computer industry.

"Four systems bound under one skin," is how Gary M. Kaplan, magazine publisher and Emerald Valley president, describes the revival. The magazine intends to publish at least six programs per computer in each issue.

"The synergy between the four systems will strengthen the magazine and provide adhesion," says Mr. Kaplan, who is banking heavily on TI 99/4a users trading up to more sophisticated systems like the others covered in the magazine.

Emerald Valley plans to distribute the magazine into as many of the 3,500 computer stores that carry computer magazines as possible. This gives the magazine a broader reach than it had as a single machine-specific publication when the TI 99/4a was carried only in major department stores. The rate base also will jump from 185,000 to 250,000.

"We're totally in the dark about how successful we will be," says Mr. Kaplan. Some industry participants aren't holding their breath. "If I did not make 99/4a products I would not advertise," says one software marketer, "because 80% of the mailing list is to TI users." That's a limited audience.

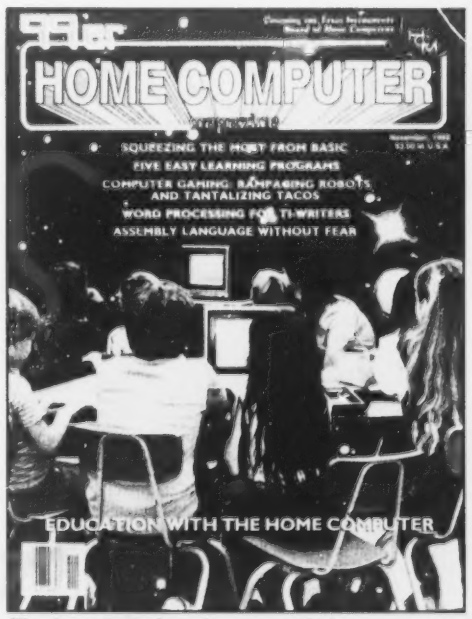
Computer system hardware makers seldom turn over warranty lists to machine-specific magazines, cutting a publication off from its potential reader base. Even if they supplied names, the list would represent only 15% to 25% of the user base because that is the rate of return for product registration.

In addition to the fact that they deal with a limited circulation, the advertiser base can also be minimized depending on the featured component's manufacturer's policies. TI essentially inhibited the *99er's* advertising universe from the start by keeping the 99/4a's technical specs under tight patent control, licensing only a handful of software manufacturers to publish games and programs.

This proprietary stance also limited the adaptation of machine peripherals (modems, keyboards, printers, etc.) to the 99/4a, wiping out more potential ad dollars. The potential of the peripheral market is further reduced because it is largely generic, with implements like modems and printers hooking up to most systems with ease. This makes general computer publications a more attractive medium for these manufacturers' ads than machine-specific magazines.

When TI left the market it gave production rights back to companies like Sierra On-Line, another software producer, which published TI software under license. John Williams, Sierra marketing director, says Sierra probably will continue producing the software for a while. "But we are a special case," he says, without elaborating. "If I had a TI 99er program to market right now I would shelve it."

He questions whether there is any real money in TI software now. Because of production expenses ($5 a game), games are produced in large lots of 5,000, which means a $25,000 investment without a mass retailer. "Sears won't want to stock 99/4a software once it's out of the computers," he says. The other marketing alternative is mail order, which is not strong in this industry, although that is


99er
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SQUEEZING THE MOST FROM BASIC
FIVE EASY LEARNING PROGRAMS
COMPUTER GAMING: RAMPAGING ROBOTS AND TANTALIZING TACOS
WORD PROCESSING FOR TI-WRITERS
ASSEMBLY LANGUAGE WITHOUT FEAR
EDUCATION WITH THE HOME COMPUTER

Software Giveaway with Purchase of this Magazine
HOME COMPUTER
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Sprite Tricks to Pep Up Commodore Programs
Creating a Real Data Base on the Unexpanded VIC-20
Apple 3-D Graphics Made Easy
Super Sound & Music on the TI-99/4A

***Hoping that there's strength in numbers, 99er expanded its editorial coverage to four manufacturers when it returned from its hiatus as* Home Computer.**

easier when the magazine immediately stopped production. Why? Their ads were rendered useless due to fire sale prices that swept through the marketplace following the announcement.

"In such circumstances, it is best to lay low for a while and hope the market rejuvenates," says Gary M. Kaplan, publisher of *99er*, which has been revived as *Home Computer. (See story below.)* He says the financial condition of many of his advertisers was poor to critical to begin with: "Many were running up heavy credit in advertising; some asked if they could pay off in installments."

99er illustrates the danger of machine-specific magazines: When the machine goes, so goes the magazine. This sector, besides being the most vulnerable, is the fastest growing.

Reaching the advertiser has become increasingly difficult for the magazines now that so many are competing for the same dollars and their level of sophistication in reporting computer happenings far exceeds their understanding of publishing matters.

For example, circulation claims in the market have become laughable to the big advertisers who get preferential treatment somewhere between half the rate-base claim and financing for their first mortgage.

Few computer magazines are audited, although new publications coming out of the major publishing houses are being audited, which should put them in better stead with the more sophisticated advertisers.

Salesmen pushing unaudited titles often leave Mr. Williams of Sierra On-Line incredulous with their unsubstantiated banter. "Few salesmen tell the truth," he notes. A salesman for one of the new magazines for the PC*jr.* recently outlined the readership demographics of the as yet unpublished magazine. Another salesman claimed a paid circulation of 350,000 for a magazine that had been on the market only seven months and conducted one minor promotion of only 100,000 direct mail pieces.

"To get my money, [some of these outfits will] have to give me a very special deal, like free advertising, or they are going to get thrown out of my office," Mr. Williams says only half in jest. "To be honest, there are a lot of suckers (advertisers) in the industry," he adds. Consultant Mr. Klingel agrees: "There are a lot of unsavvy advertisers with a lot of money, but they're going to have to get a lot smarter where they spend it."

Advertisers, like Sierra On-Line, that are thirsting for publications with verifiable data, are helping magazines develop readerships in which these advertisers can have faith. For example, when an Apple product registration card comes in to Sierra On-Line, it is forwarded to *Softalk*, an Apple-specific publication. This provides Sierra with a circulation list it can trust. In exchange, it is given first stab at preferred ad placement.

Many magazines have gone to publishers reps for more than ad procurement—comprehensive front-office assistance and utter survival. JE Publishers not only sells ads, but prepares marketing strategies, educates publishers and even works with them on distribution and ad collection. Without such assistance, many publications would have fallen prey to Success Quotient, and may yet now that greater financial power is a requirement.

The need to secure substantial financial backing is attributed largely to the entrance of the big publishing houses. Ziff-Davis, for example, now has 13 computer magazines. The drive to be competitive also has influenced editorial/advertising ratios, and Mr. Klingel estimates that most titles average 60% advertising per issue. He also notes that little money is made in circulation and newsstand sales.

Distribution skirmishes erupted in the rush to get new titles on newsstands. Ziff-Davis last summer pulled magazines out of newsstands where operators demanded publishers provide a higher cut than the indus-

(Continued on Page M-62)

one of the routes software producer Infocom of Cambridge, Mass., will go with its 99/4a computer games.

But the *99er's* move toward becoming less machine specific may not spell the end of its troubles.

An industry consultant believes *Home Computer* is going to find stiff competition, particularly from the plethora of new IBM PC*jr.*-specific publications —currently numbering five— entering the market.

The problems of Emerald Valley don't necessarily reflect an industrywide plight among machine-specific magazines, but they come close.

"Machine-specific magazines are a long-term tactical mistake," believes John Klingel, a magazine circulation consultant based in San Francisco. "These magazines will disappear with standardization—which is just around the corner."

Despite all of these problems, a handful of software manufacturers are excited about the big TI residual market, static as it may be. Software gameking, Infocom, is translating 10 games for the *99er*.

The company already markets games for 18 other systems so its reliance on 99/4a-related sales is not critical.

So, despite cancellation of the components they feature, machine specific magazines may be invincible, possessing an advertising base and reader/user universe that live on past the components themselves.

Perhaps the strongest segment of the computer industry will be the one that writes about it. —*C.E.*

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Illness

(Continued from Page M-61)
try standard of 10% of the cover price. Some monthlies were even dropped on the sly by newsstand operators after only two weeks on the shelves in order to make room for more publications, laments Mr. Ahl at Creative Computing. "We dubbed the season our black summer," he says, referring to the fact that generally only 60% of all copies that hit the newsstands were sold.

With most observers predicting that editorial coverage will increase in importance, most computer magazines, especially the catalog lookalikes, will have to boost their slim editorial ratios or get zapped by Success Quotient.

Editorial content is turning more toward application as the magazines cultivate a larger user base. Magazines stressing application will have to devote greater editorial space to display comprehensive programs and risk incurring the wrath of software manufacturers that do not want their programs printed.

Run-ins already are occurring, particularly between manufacturers and machine-specific magazines, most of which are editorially independent of the manufacturer covered. In late 1983, the Wayne Green publishing division of CW Communications reached an agreement with Tandy that Mr. Green, who publishes two Tandy-oriented publications, would stop writing his often critical column. Since then, Tandy increased its advertising in the magazines and made available its warranty card list to solicit subscriptions—rare in this industry. While good for business, all of this would seem to cast a shadow on editorial independence in the minds of purists.

Several magazines are part of larger corporate groups that also market software. That software can receive glowing reviews, raising an issue of credibility. Or, just the opposite can happen. At Scholastic, its Family Computing magazine recently drew salvos from the company's Wizware software division for planting a "not enough value for the money" tag in its review of Wizware's Square Pairs game.

The shift toward application also is caused by the growth in computer literacy, a direct result of the expanding user base. "These users, for example, won't want to tinker as much, repair or modify their machines, or know how it works or care for that matter—the kind of stuff readers and advertisers have wanted," says Peter Abrahamson, consultant with Publishers Consultants Management Group. "In an on-going basis this market will be served by as little as two publications," he predicts. From 150 titles, that represents a real shakeout.

This fickle industry seems programed by some fecund Dungeon Master to procreate magazines with abandon. But now it is getting ready to eat its own. The question is not so much who will die, but who will survive? AA

Top 10 microcomputer end-user publications
(Ranked on 1983 ad revenue)

Rank	Publication	Revenue ($000) '83	Revenue ($000) '82	Revenue % change	Ad pages '83	Ad pages '82	Avg. ad pages per issue
1.	**Byte (McGraw-Hill)**	**28,758**	26,157	+ 10	**4,394**	3,997	366
2.	**Personal Computing (Hayden Publ.)**	**23,863**	10,506	+127	**2,306**	1,930	192
3.	**PC Magazine (Ziff-Davis)**	**14,992**	2,396	+526	**4,225**	1,213	384
4.	**Creative Computing (Ziff-Davis)**	**11,862**	5,568	+113	**2,159**	1,749	180
5.	**Computers & Electronics (Ziff-Davis)**	**11,697**	2,358	+396	**686**	207	57
6.	**InfoWorld (CW Communications)**	**10,052**	5,492	+ 83	**2,611**	2,076	50
7.	**PC World (CW Communications)**	**8,219**	—	—	**1,966**	—	218
8.	**Compute! (ABC Publishing)**	**7,658**	1,664	+360	**1,787**	1,182	149
9.	**Popular Computing (McGraw-Hill)**	**7,431**	2,608	+185	**1,428**	832	119
10.	**Softalk/Apple (Softalk)**	**7,282**	3,799	+ 92	**1,947**	1,536	162

Source: Adscope

Kids teach their parents a thing or two

Remember when Superman was in diapers and he lifted a car off his earthly father? At that point his adopted parents knew he had that *je ne sais quoi*.

In the eyes of today's computer industry, Superman holds no monopoly on "that special something."

It's sort of an all-in-the-family publication whose common denominator is the dumb parent, or to be kind, less computer literate moms and dads.

Rather, a host of computer literate youngsters have become its kryptonite kids.

This youth market is the target of Scholastic Inc.'s latest magazine entry—*K-Power*—and the description of this audience by publisher Shirrel Rhoades leaves even the less-jaded among us to say: "It's come to that."

"Our target is savvy teens and pre-teens. These kids know more about computers than their parents.

"It is more technical and sophisticated than *Family Computing* [another Scholastic title]. It's for kids who have discretionary income." Or, in other words, for parents who are willing to dole out the subscription fee.

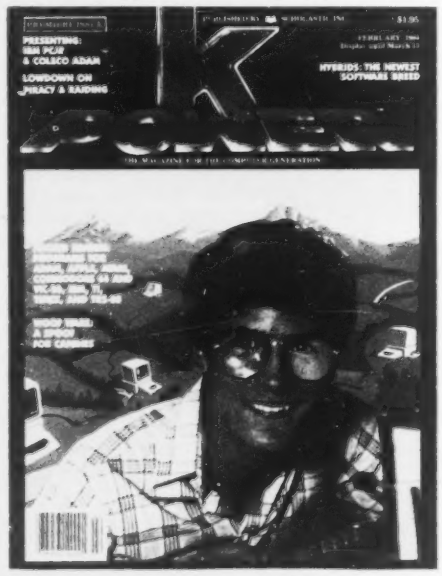
K-Power, which hit the market in late January with a 200,000 rate base, followed the successful entry last fall of *Family Computing*, sort of a general all-in-the-family publication whose common denominator is the dumb parent, or to be kind, less computer-literate moms and dads.

As might be expected, *K-Power* has an editorial problem: It must write "down to" and "up to" its audience at the same time. This has led to development of the K-Net, a panel of top-flight computer kids hooked up by modem to whom Scholastic editors can pose tough questions and from whom they can get readable copy, software reviews and credible answers.

K-Net diminishes the risk of developing a patronizing tone and thus turning off the audience, and cues editors to the level of computer sophistication in this market.

If the level of that sophistication among the K-Net panel is any indication, the editors at *K-Power* may have to go back to school.

Panelist Stephanie Kaufman, a 17-year-old senior at George Washington High School in Denver, is computer literate in several languages—she knows BASIC like the back of her hand—transcribes manuals and tutorials into computer language in an advanced computer class at school, works out calculus problems on the computer and instructs her parents in setting up the family budget on their Apple IIe. In her spare time she reviews computer games for magazines, edits the school paper and competes in weekend debate contests.



K-Power's *K-Net, a panel of top-flight computer kids, answers tough questions in a credible and readable manner.*

Her father is learning BASIC and her 8-year-old kid brother is not far behind.

"Kids have just gotten into computers faster than fathers," she proffers.

Panelist Eric Fisch, a 14-year-old from St. Paul, Minn., became known to Scholastic because of a first place in regional competition for programing. A freshman at Highland Park Senior High School, he is on the school math team and in a senior-level computer class. He knows BASIC and is preparing to learn Pascal.

At home, Eric signs on to the Apple II-plus with his 17-year-old brother "who learned the computer from other kids," and his father, a chemist with 3M.

Lest one think these kids a bit too cerebral for even their computer literate *K-Power* contemporaries, it is comforting to note that they do have more traditional interests:

"I joined Nautilus yesterday," says an excited Stephanie.

And "I play the bass clarinet in the school band," beams Eric, who also loves to play baseball and is no doubt torn between playing a pickup game after school and "practicing" his computer.

—*C.E.*

Coming

Next week Advertising Age Magazine's special report will focus on International Tv.